# BUDGET SPEECH
# 1968-69

Thiru C. N. Annadurai

Chief Minister

28th February 1968

*Speech of Thiru C. N. Annadurai, Chief Minister, presenting the Budget for* 1968–69 *on* 28*th February* 1968 *to the Madras Legislative Assembly.*

Sir,

I rise to present the Budget Estimates for 1968–69. The Revised Estimates for 1967–68 and the actuals for 1966–67 are also before the House. With the radical change in our ideas on the role of Government in a modern society, the Budget has, for quite some time now, ceased to be a mere statement of receipts and expenditure of Government. It is rightly looked upon as a potent instrument for the attainment of the objectives and ideals of the Government in whom the people, exercising their democratic choice, have reposed their confidence. The presentation of this Budget marks the completion of almost a year in office of the present Government. It is understandable, therefore, if the House expects me on this occasion to explain in some detail how the Revised Estimates for the current year and the Budget Estimates for the next, assist towards fulfilment of the policies which the Government had prominently placed before the people.

**Economic background.**

2. While so doing, the House should bear with me, if I am constrained to invite the attention of the House to the state of the national economy when this Government assumed office. The Third Plan had run its full course and a year had elapsed without the uncertainty regarding the Fourth Plan being resolved. The Third Plan was overfulfilled in financial terms, the actual expenditure

being of the order of Rs 8,630 crores, against the original provision of only Rs 7,500 crores. The nation had also made the sacrifice expected of it in terms of additional taxation for fulfilling this Plan. As against the additional taxation of Rs 1,710 crores envisaged in the Plan, resources were mobilised to the extent of Rs 2,880 crores by the Central and State Governments in the form of additional taxation. Of this, the measures implemented by the Central Government alone imposed additional burdens on the people to the extent of Rs 2,270 crores, as against only Rs 1,100 crores originally estimated as required for the Plan. Of this sum, again, only about Rs 320 crores were raised by the Central Government through increase in direct taxes like Income and Corporation taxes and Wealth tax which fall on the comparatively affluent sections of the society. The balance was raised in the form of indirect taxes such as excise, customs duties and adjustments in railway fares and freight, which had a considerable impact on the cost of living of the common man and also added significantly to costs of production. In spite of the overfulfilment of the Plan in purely financial terms, there were serious shortfalls in the attainment of physical targets in crucial sectors. Except in one year, i.e., 1964–65, agricultural production did not show any increase in the Third Plan period and the actual production in 1965–66 was only 73 million tonnes of foodgrains, against a target of 100 million tonnes. National income grew at an annual average of only 2·8 per cent, against the target of 5 per cent. In view of the steady growth of population, the improvement in per capita income worked out to an annual average of only 0·3 per cent in the Third Plan. There was thus virtually no improvement in the standards of living of our people in spite of massive expenditure and the substantial privation which the people had undergone in the form of additional taxes. The failure of agricultural production, coinciding with large disbursements in the

name of the Plan, resulted in a very steep rise in prices, bringing acute distress for large sections of our people. Taking the Third Plan period as a whole, prices rose by 36·4 per cent, which was larger than the increase that had occurred in the preceding ten years. Within this general increase, prices of food articles rose even much higher, the increase being 48 per cent. There was no improvement on the price front in 1966–67. The devaluation of the rupee in June 1966 in fact further aggravated the position and there was a rise of 16·5 per cent in price levels in 1966–67. The sharp increase in prices of foodgrains and the failure of agricultural production led to serious erosion in the purchasing power of the masses and this in turn led to a serious decline in demand for industrial products causing recession and unemployment. We thus had a paradoxical situation in which surplus capacities emerged in a number of industries while at the same time the needs of the people remained unfulfilled, though this is precisely the kind of situation which economic planning is expected to guard against.

3. This was the economic situation which faced us when we assumed responsibility for the conduct of affairs in this State. It soon also became clear that it was not wholly within the powers of the State Government to find effective solutions for the problems facing our people. Under the delimitation of powers in the Constitution the Central Government which is responsible for regulation of currency, banking and foreign trade, is alone in a position to dictate the lines on which our economy should progress. The programmes which this Government may consider to be necessary in the interest of the people will have to be supported by appropriate economic policies by the Central Government. The promotion of economic growth is rightly looked upon in the circumstances as a joint responsibility of the Centre and the States, the Central

Government being obviously the dominant partner. In assessing therefore whether the present budget seeks to provide effective remedies for the economic difficulties facing our people, it will be appropriate if the House considers whether the State Government, the junior partner, had done all that is necessary and expected of it.

State Governments' role in economic development.

4. In my view, it is not difficult to identify what the major responsibilities of the State Government are in promoting economic development. First and foremost, the State Government have obviously to build up a techno-administrative machinery adequate and competent for the attainment of the several tasks of development. The machinery has to be kept in a continually trim condition so as to shoulder the new responsibilities and challenges which emerge in an era of planned economic growth. It cannot be seriously denied that we have in this State built up such a machinery capable of pushing through programmes according to schedule in vital sectors like Irrigation, Power and Agricultural Production. The State Government have also to keep in view prominently the need to contain non-Plan expenditure in general and non-developmental expenditure in particular so as to liberate resources to the maximum extent possible for fulfilment of the programmes embodied in the Plan. Here again, it can be established that this State has exercised considerable restraint in regard to non-developmental expenditure so as to facilitate maximum possible diversion of resources for the Plan. We have exercised strict vigil even over developmental expenditure of a maintenance nature in our anxiety to support the Plan. Apart from conserving its resources in this manner, the State is also expected to mobilise additional resources for the fulfilment of the Plan, and here again, the performance of this State should be considered commendable by any standard. In the draft Fourth Plan, it was visualised that

the States should mobilise additional resources to the extent of Rs 825 crores over the Five-Year period ending 1970–71. The outlay on the Fourth Plan for this State was fixed at Rs 564 crores, which constituted only 8 per cent of the total outlay visualised for all State Plans together. Even so, this State was called upon to raise additional resources to the extent of Rs 105 crores, which works out to 12·5 per cent of the resources to be raised by all States. The target set for us in regard to mobilisation of additional resources was high having regard to the effort already made by us and in relation to the size of our Plan. The previous Government had however accepted the target obviously in their anxiety to ensure that the minimum Plan considered essential for the progress of the State was not hamstrung for want of resources. We have often heard the criticism that States cheerfully promise to raise all the resources needed for the Plan but never strive to fulfil their promise. I would therefore like to stress that this State has fulfilled in a large measure the target set for it though the finalisation of the Fourth Plan has itself been put off and the outlays on the annual plans are significantly lower than those envisaged by the Planning Commission for the Fourth Plan. It has been computed that the various measures of additional taxation put through by the previous Government in November 1965 will bring in an additional revenue of about Rs 50 crores. The measures which the House had accepted in June last as part of the Budget proposals for the current year will bring Rs 32 crores over the period ending with 1970–71. Thus, against the target of Rs 105 crores of additional taxation set by the Planning Commission, the action already taken by us will bring Rs 82 crores. In other words, the State has fulfilled about 80 per cent of its target. According to my information, no other State has such an impressive record in regard to mobilisation of resources for the Fourth Plan,

5. It may also be reasonably expected that the State in deploying its own resources and those made available by the Central Government should observe the relative priorities of the Plan and that in particular there should be no frittering away of resources on prestigious projects which do not in terms of direct or indirect returns contribute significantly to the strengthening of the economy. On this count too, it will be generally conceded that we have avoided schemes involving wasteful expenditure and have concentrated on programmes well within our capacity to execute and administer effectively and that, by and large, these are the programmes best calculated to improve the economy of the State. We have also realised that the fulfilment of a big plan will generate additional purchasing power on a significant scale and that, therefore, effective steps should be taken to regulate supplies of essential articles so as to contain their prices within reasonable limits. In this respect too, I can confidently claim that in the year which has gone by, the State Government have fulfilled their responsibilities. Through our efficient programme of procurement we have managed to keep up uninterrupted supplies of foodgrains. The prices of foodgrains, even in the open market, have been maintained at far more reasonable levels than elsewhere in the country.

**Role of Central assistance.**

6. This House and the people at large are entitled to know why despite all these, it has not been possible for this State to sustain a rising tempo of development and meet in a fuller measure the pressing needs of the people. In our view, it is the serious imbalance in distribution of resources as between Centre and States and the failure of the Central Government to keep its non-developmental expenditure under control which are largely responsible for the tardy progress of the Plan particularly in the last three years. In terms of the Constitution, the more elastic sources of revenue have been reserved for the Centre, while

the more expansive functions such as education and public health have been assigned to the States. This imbalance has hitherto been sought to be redressed at least in part through a steadily rising scale of Central assistance for programmes of economic development. But when the Fourth Plan of this State was tentatively finalised in November 1966, Central assistance of only Rs 250 crores was offered towards an outlay of Rs 564 crores. At about 44 per cent of the total outlay, Central assistance was significantly lower than in the earlier Plan periods. Even in relation to the aggregate Central assistance for Fourth Plan, the figure agreed upon for this State was low constituting as it did only 7 per cent of the total Central assistance, though in terms of population, this State should have secured 7·8 per cent of Central assistance.

7. Even this assistance, inadequate as it was, had not been released in the agreed proportion in 1966–67 and 1967–68. For the coming year, in response to our pressing request, the Planning Commission has recognised the need for allocating Central assistance in the proportion agreed upon. But as regards the shortfall in the last two years, the Commission has agreed to make good only one-third, though having regard to serious difficulties which we face in the next year, it should, in all fairness, have compensated us fully. Among the few States which had not received the proportionate assistance due to them in the last two years, ours is perhaps the only State which, in terms of the award of the Fourth Finance Commission, does not have any surplus on non-plan account and on this consideration at least, our request should have evoked favourable response.

8. Apart from this halting release of Central assistance, the quantum of Central assistance for all State plans together has remained stationary and has in fact come down. The total Central assistance for State plans was of the order

of Rs 617 crores in 1966–67. This should have normally risen to at least Rs 650 crores in 1967–68 and Rs 700 crores in 1968–69. If this had happened and the assistance had been released in the agreed proportion, we should have no difficulties either in the current year, or in the next, in fulfilling a viable Plan. But Central assistance was sharply cut back from Rs 617 crores to Rs 590 crores in 1967–68. Having regard to the current improvement in agricultural production and consequential improvement in industrial output, we should normally expect Central resources to improve in the coming year. But Central assistance for the State Plans has been pegged at Rs 590 crores for next year too. Apart from this pause in the growth of Central assistance, the State's share of Central taxes has also not been as buoyant as it should have been. Even if the lack of buoyancy in Central taxes such as Income-tax or Excise Duties is explained away as due to economic recession and other causes, we should have expected some earnest attempts to realise the large arrears in Income-tax currently estimated at over Rs 550 crores so as to provide relief to the States at a time when they are facing serious financial difficulties. With 75 per cent of the proceeds under Income-tax being divisible among the States, this has virtually become a State source of revenue. Though the responsibility for assessment and collection vests with the Centre, it is the States which are affected most as a result of any lapse on the part of the Central machinery in effecting energetic collection. The Planning Commission which has rightly been urging on the State Governments to take energetic steps to clear arrears of taxes, should exert equally effective pressure on the Central Government for clearance of the present large arrears of income-tax. It may be mentioned that while the yield from sales tax was of the order of Rs 44 crores in 1966–67, the arrears in our State aggregated only to Rs 7 crores and thus constituted 16 per cent of the annual revenue. If the

arrears under income-tax could also be kept down at about this level, there will be a substantial accretion of additional resources to the States.

Growing burden of debt charges.

9. Stagnation in Central assistance for State plans and lack of adequate buoyancy in States' share of Central taxes have coincided with large increase in repayment of loans due to the Government of India. I had occasion to draw the attention of this House to the mounting incidence of Debt Charges in my Budget Speech in June last. The debt due to the Government of India which stood at Rs 14 crores at the commencement of the first Plan in 1950, had risen to over Rs 270 crores at the end of the Third Plan and is now over Rs 300 crores. The average rate of interest on loans from Union Government, which was only about 2·5 per cent in 1955-56 is now well over 4·5 per cent. The rise in the volume of indebtedness to Government of India coupled with the rise in the average rate of interest has resulted in a sharp increase in interest payable to the Government of India from about Rs 41 lakhs in 1950–51 to nearly Rs 15 crores in the Budget Estimates of 1968–69. Other States too have been reeling under the burden of interest payments to Government of India. State Governments have therefore been contending with the Government of India and successive Finance Commissions that the Government of India should take note of the unremunerative nature of a substantial portion of the capital outlay at the State level and provide relief to the State through revision of the present onerous terms regarding rate of interest and schedule of repayments. Government of India have now put forward certain tentative proposals for consolidation of the debt due to them from the various States. But the proposals as adumbrated by them do not go far enough. They fail to take note of the fact that a significant portion of our debt has been incurred for such purposes as provision of water-supply or relief

of distress caused by cyclones or famines or for relief and rehabilitation of goldsmiths and that such loans should, in fairness, be converted into outright grants.

10. Apart from interest charges, there is also a sharp increase in the repayment of loans to the Government of India in the Budget Estimates for 1968–69 as compared with the current year. Against Rs 20·3 crores repayable in the current year, our liability, exclusive of repayment of purely short-term loans, is of the order of Rs 27·3 crores, representing an increase of Rs 7 crores. This is one of the main factors contributing to the erosion in our resources for the plan next year. The House should be glad to know that we have so far managed our finances without having to resort to overdrafts when the financial year is taken as a whole. In 1966–67, the Central Government extended special assistance to the extent of Rs 108 crores for clearance of overdrafts to certain States. Madras is one of the States which did not have to seek any such assistance. In the current year too, quite a few State Governments may end up with overdraft and the Centre, I presume, will go to the rescue of such State Governments. It is not unreasonable to point out that if Government of India had not been obliged to extend special assistance outside the Plan to certain States for clearance of overdraft, Central assistance for State plans would have been much larger and we would also have secured our due share. There is alround recognition that Government of India should initiate action for stabilising the financial position of the State Governments and that, in particular, resort to unauthorised overdrafts should be put an end to. At this juncture therefore a State which has so far, on its own efforts, steered clear of any financial crisis and has not flinched from mobilising resources for the Plan should be helped to maintain an even pace of development. To deny such help will, in fact, be to penalise us for our prudence

in the past. We have therefore requested the Government of India to rephase the repayment of loans due to them in the next financial year so as to keep the liability for repayment in the next year at about the same level as in the current year. Though the initial reactions of Government of India have not been favourable, the State Government propose to press this request further, as they are convinced that they have a strong case.

11. On the difficulties caused by repayment of large sums to Government of India have been superimposed those arising from repayment of large open market loans raised in the past. In the current year, we have raised an open market loan of Rs 18 crores and after repayment of a maturing loan of Rs 10·5 crores, there was a net accrual of resources of the order of Rs 7·5 crores. We have a large open market loan of about Rs 14 crores maturing for repayment next year and on the assumption that we will be able to raise a new loan of the order of Rs 20 crores, the net relief to the Government's ways and means position will be only Rs 6 crores. On this account alone therefore, there will be a shortfall in resources for the plan of Rs 1·5 crores as compared with the current year. Repayment of maturing loans should present no problems if, in the past, adequate provision had been made for amortisation. Since 1955, following certain specific instructions from the Government of India in this regard, contribution towards Sinking Fund had been made only at certain very low rates in our State. Striking a line different from that of the three earlier Commissions, the Fourth Finance Commission recognised that service and amortisation charges on market borrowings of State Governments should be considered a legitimate charge on the revenues of the State to be covered by devolution. But instead of providing for the actual amounts needed for full amortisation, they included in their scheme of devolution only the amounts as worked out on the basis of the practice actually in vogue in the

States concerned. The Commission was candid enough to admit that this approach would result in allowing provisions at only nominal rates for some States and for other States at rates adequate enough for repayment of loans on maturity. The result is that while amounts taken into account for Sinking Fund provision for all States put together was, in the aggregate large, being over Rs 286 crores for the five-year period, Madras secured only Rs 8·90 crores on the basis of the practices followed by it in the past in regard to Sinking Fund. The fact that the procedure followed by the Fourth Finance Commission has resulted in substantial injustice to certain States like Madras has been highlighted in the minute of dissent of Thiru Mohanlal Gautam, one of the members of the Fourth Finance Commission. We are glad to note that Government of India have themselves subsequently realised the need to set right this anomaly and provide for special assistance to the States so as to enable them to set apart in full for amortisation of open market loans. After setting off a sum of Rs 8·9 crores already included in the scheme of devolution of the Fourth Finance Commission for the five year period, the Government of India have now indicated that they will make a special grant of the order of Rs 6·05 crores each year, beginning from 1966–67 towards amortisation of public debt. They have however qualified this offer with the condition that this sum will not be paid in cash but will be provided by conversion of the miscellaneous development loan for financing the Plan into grant. Under this arrangement, the State may benefit to a small extent immediately in terms of payment of interest on miscellaneous development loan, and a little more substantially from 1970–71 onwards through lower repayment of instalments of the principal. There will thus be no significant addition to resources for financing the Plan in the coming year. When Government of India have recognised that the formula followed by the Finance Commission has resulted in inequality of treatment

as between different States, they should have come forward to provide a special grant for amortisation outside the ceiling of Central assistance for the Plan, instead of seeking to set it off against assistance already agreed upon for the Plan. The Government of India's proposals would mean that one group of States such as Madras, Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Mysore and Rajasthan will suffer a reduction in Plan assistance equivalent to the special grant for amortisation, while the other group of States such as Maharashtra, Gujarat and Uttar Pradesh, which have already secured from the Finance Commission adequate assistance for amortisation, will not suffer any such reduction in plan assistance. Equity therefore demands that Government of India's assistance for amortisation which will work out to Rs 18·15 crores for the three years 1966–67, 1967–68 and 1968–69 should be in addition to normal plan assistance. Even if Government of India's ways and means position does not permit it to extend assistance in full to the extent of Rs 18·15 crores, it should not be difficult for them to give at least the assistance due for 1968–69, viz., Rs 6·05 crores without seeking to set it off against the miscellaneous development loan for the plan. Such assistance will incidentally enable us to maintain the tempo of development in the coming year.

**Impact of Dearness Allowance.**

12. Apart from the growth in the burden of debt charges, the successive increases in rates of Dearness Allowance of Government employees, though fully justified with reference to rise in prices and the need to protect the standards of living of low paid employees, have caused serious strain on the State's resources. While the increases granted upto the end of 1965–66 have been taken care of by the award of the Fourth Finance Commission, no such relief has been available in respect of subsequent increases. We had hoped that the Gajendragadkar Commission would frame some concrete proposals for

dealing with this standing grievance of the State Governments. But the Commission, while recording a definite finding " that there will be no justification for disparity in the rates of Dearness Allowance paid to the employees of the State Government and employees of Central Government ", left the question of any special assistance by the Government of India for this purpose as outside its terms of reference. The Fourth Finance Commission had itself recognised that their assessment had not taken into account various items of requirements which might emerge during the next five years and " that therefore an appropriate procedure will have to be evolved to take such needs into account and to afford Central assistance wherever necessary". It is a matter for serious regret that the Government of India have not taken any follow up action on this important recommendation of the Finance Commission. But even in the absence of any Central assistance, we felt that we would not be justified in denying the claims of the employees for rates of Dearness Allowance on a par with those applicable to the employees of the Central Government. As the House is aware, we had therefore increased the rates of dearness allowance of our employees with effect from pay for November 1967 due on 1st December. The Dearness Allowance for the period from 1st December 1967 to 1st March 1968 was not to be paid in cash, but credited to the Provident Fund of the employees while the amount due with effect from pay for March was to be paid out in cash. The Budget Estimates for 1968–69 have been framed accordingly, the commitments on account of Dearness Allowance entailing an additional burden on revenue account of the order of Rs 9·2 crores.

City Compensatory Allowance.

13. We have also sanctioned for employees of State Government drawing pay up to Rs 500, City Compensatory Allowance at the same rates as those applicable to the employees of Government of India. The Government have

now decided that City Compensatory Allowance at the same rates and subject to the same conditions, should be extended also to teachers in aided institutions within the limits of Madras City. Taking note of certain representations from the employees, the Government have now decided to extend City Compensatory Allowance at the same rates and subject to the same pay limits to areas adjacent to Madras City in which the employees are already drawing house rent allowance at rates applicable to Madras City. In terms of this decision, the City Compensatory Allowance will be extended to places such as St. Thomas Mount, Pallavaram, Chromepet, Tambaram, Ambattur, Villivakkam, Avadi and Madhavaram. Teachers in aided institutions and employees of local bodies in these areas will also get the benefit of this decision of Government. The Government of India have classified Madurai City as a "B-2 Class City" eligible for City Compensatory Allowance. Accordingly, the Government have now proposed to extend City Compensatory Allowance to all their employees working in offices within the limits of Madurai town at 5 per cent of pay subject to a minimum of Rs 5 and maximum of Rs 10 to all employees getting a pay of below Rs 500. Teachers in aided institutions and employees of local bodies working within the limits of Madurai town will also get the benefit of City Compensatory Allowance at the same rates. These concessions to public servants, which will take effect from pay for March due on 1st April 1968, will entail an additional commitment of the order of nearly Rs 40 lakhs in the coming year and provision has accordingly been made in the Budget Estimates of 1968–69.

**Current year's Plan.**

14. The substantial increase in liability for repayment of open market loans and loans to the Government of India and the full impact of the increase in rates of Dearness Allowance are the main factors which contribute to the deterioration in resources for the Plan next year as

compared with the current year. It should also be mentioned that we have in the current year appreciably stepped up outlays on programmes like Minor Irrigation, Fisheries and Power with the result that the aggregate outlay on the Plan will be of the order of Rs 88·10 crores as compared with only Rs 85·28 crores which we had budgeted for. We had also anticipated that the Centre would agree in the course of the year to step up its assistance from Rs 38 crores to Rs 43·5 crores. This expectation has not materialised and we have therefore had to dip into our own resources for financing a bigger Plan.

**Seasonal conditions and Agricultural Production.**

15. In drawing up the Plan for next year, taking into account the considerable erosion of resources which has taken place on account of factors mentioned above, we have taken care to see that the tempo of development in crucial sectors is maintained at a reasonable level. We have continued the emphasis on agricultural production and associated programmes, particularly in view of the success we have achieved in the current year in programmes relating to high yielding varieties and conversion of single crop lands into double crop lands. I should hasten to add that the increase in production of foodgrains which we have registered in the current year is not due to favourable seasonal conditions. In fact, an analysis of data relating to rainfall in the current year has shown that taking the State as a whole, the South-West monsoon brought in an average rainfall of only 289 millimetres as against 416 millimetres in the previous year, and 315 millimetres in 1965–66. It should be remembered that 1965–66 was generally considered to be an year of unprecedented drought in our State. The rainfall in the current fasli year was thus highly deficient compared with the previous years, deficiency being as high as 30·5 per cent in relation to 1966–67 and 8·2 per cent as compared with 1965–66. The North-east monsoon has been equally disappointing

bringing as it did an average rainfall of only 496 millimetres in 1967–68 as against 606 millimetres in 1966–67, the deficiency being 18·1 per cent. Taking the two seasons together, the rainfall in the current year was 23·1 per cent lower than in 1966–67. The seasonal factor will be seen to be even more adverse when we make a closer analysis of the distribution of rainfall during the two seasons. In the current agricultural year there were on the whole only 39 rainy days, as against 48 in 1966–67 and 41 in 1965–66. The number of rainy days during the North-east monsoon period, which synchronised with the period of growth of crops, was only 18 in the current agricultural year, as against 24 in 1966–67 and 22 in 1965–66. Thus, the rainfall during the crucial stage of plant growth was highly unfavourable. The storage in major irrigation reservoirs has also been comparatively unsatisfactory. Despite these unfavourable seasonal conditions, it is gratifying to note that the production of foodgrains in the current year will be of the order of about 60 lakhs tonnes, representing an increase of 2 lakhs tonnes over the level of 1966–67. In respect of seasonal conditions the current year is broadly comparable with 1965–66 so far as our State is concerned. When compared with 1965–66, there has been an increase of 7·4 lakhs tonnes in production in the current year and it is this increase which reflects more accurately the results attributable to the specific programmes undertaken by Government in the current year. Encouraged by the results achieved under the high yielding varieties programme in the current year, Government propose to step up the coverage under paddy from about 13 lakh acres in the current year to 25 lakh acres next year. Likewise, the area under hybrid millets will also be stepped up from about 1 lakh acres in the current year to 1·7 lakh acres next year. The success of the high yielding varieties programme depends in a large measure on increased use of fertilisers. The present

trends in supply point to easier availability of fertilisers next year. We are accordingly planning for a massive increase in the consumption of fertilisers from the present level of about 1 lakh tonnes of nitrogen. Given reasonably good seasonal conditions, the use of high-yielding varieties over a larger area with appropriate dosage of fertilisers should result in a considerable increase in production next year.

**Minor Irrigation Programmes and Institutional finance.**

16. Government are aware that the high-yielding varieties programme should go on hand in hand with augmentation of facilities for irrigation and that, in particular, there should be a vigorous campaign for conversion of single crop wet lands into double crop wet lands. This will call for extension of facilities for lift irrigation and the programmes relating to sinking of wells, bore wells, filterpoint tube-wells and installation of electric motor pumpsets therefore acquire special importance. At the same time, it has been pointed out to us both by the Planning Commission and the Government of India that we should have recourse to institutional finance on a large scale in pushing through these programmes. The Reserve Bank of India, Life Insurance Corporation and commercial banks are now coming forward to support agricultural production programmes in a big way. Assistance from these sources will however be available only to the co-operative sector and not to Government direct. Government are anxious that this State should not lose its legitimate share of the assistance available from institutional financing agencies, particularly as such assistance will be in addition to the funds made available by the Government of India for fulfilling the Plan. We have accordingly taken certain major decisions of policy in regard to the financing of Minor Irrigation Programmes next year. Under the pattern now decided on by the Government, new loans for sinking of wells and installation of pumpsets will be made available only through land

mortgage banks. Likewise, the Agro-Industries Corporation, which will start functioning effectively soon, will take over the responsibility for supply of pumpsets and tractors on hire-purchase terms. During our discussions with the Planning Commission, it was indicated that a sum of about Rs 6 crores would be made available to this State from the various institutional financing agencies for minor irrigation and tractor hire-purchase programmes. In order to enable the Central Land Mortgage Bank to avail itself of such institutional finance, Government have provided, in the Budget Estimates for 1968–69, a sum of Rs 2 crores for contribution to the debentures of the Central Land Mortgage Bank. It has been computed that inclusive of this contribution from Government, the Central Land Mortgage Bank will be able to raise through its debentures about Rs 8·7 crores next year, of which it should be possible for it to utilise at least Rs 6·7 crores towards Minor Irrigation programmes. The State Government have also provided in the Budget Estimates for 1968–69 a sum of Rs 20 lakhs for contribution towards share capital of the Agro-Industries Corporation. It is expected that the Central Government may also contribute not less than Rs 50 lakhs towards the share capital of this Corporation. It should therefore be possible for it to allocate a minimum of Rs 100 lakhs towards supply of pumpsets and Rs 70 lakhs towards supply of tractors on hire-purchase terms. Government are at the same time providing a sum of Rs 250. lakhs, exclusive of subsidy to meet second and further instalments of loans due in respect of wells for which the first instalment has already been sanctioned in the current and earlier years. Inclusive of the assistance made available through Land Mortgage Banks and Agro-Industries Corporation, there will therefore be no shrinkage but on the contrary substantial increase in loan assistance to agriculturists for Minor Irrigation programmes.

17. Apart from these normal programmes to be implemented through Land Mortgage Banks, Government have also formulated certain programmes for intensive special development of minor irrigation facilities in compact blocks, particularly in areas commanded by major irrigation projects, so as to promote conversion on a large scale of single crop lands into double crop lands. These schemes will be implemented with special assistance from Agricultural Refinance Corporation. A scheme for sinking of 2,000 wells and installation of 500 pumpsets involving an aggregate outlay of Rs 92·5 lakhs in Pudukottai region has already been sanctioned by the Agricultural Refinance Corporation and it is expected that, as part of this programme, it will be possible to complete the sinking of 500 wells and installation of 100 pumpsets at a cost of Rs 22·5 lakhs next year. Likewise, the Agricultural Refinance Corporation had already sanctioned a scheme for sinking of 1,000 wells and installation of 1,000 pumpsets in Thondamuthur and Perianaickenpalayam Blocks in Coimbatore district at a total cost of Rs 168 lakhs and in pursuance of this programme it is proposed to complete 250 wells and install 250 pumpsets next year at a cost of Rs 42 lakhs. The funds required for the schemes will be raised by the Central Land Mortgage Bank in the form of special development debentures towards which the Agricultural Refinance Corporation will contribute 75 per cent and the State the balance of 25 per cent.

18. Schemes have also been formulated for securing assistance from Agricultural Refinance Corporation (i) for sinking of 2,000 wells and installation of 2,000 pumpsets in Amaravathi Reservoir Project area in Coimbatore district at a cost of Rs 160 lakhs, (ii) for 900 wells and 900 electric motor pumpsets at a cost of Rs 45 lakhs in Periyar extension area in Ramanathapuram district, (iii) 2,650 wells and 4,000 pumpsets in New Kattalai and Pullambadi canal

areas of Tiruchirappalli district at a cost of Rs 165 lakhs, (iv) for 2,000 wells and 2,000 pumpsets in Madurai and Melur taluks of Madurai district at a cost of Rs 100 lakhs and (v) for 2,000 wells and 2,000 pumpsets in Krishnagiri taluk of Dharmapuri district at a cost of Rs 100 lakhs. From the discussions which our officers have had with representatives of the Agricultural Refinance Corporation, I understand that we may expect these schemes to be accepted by the Corporation in time for implementation in the next financial year. When these programmes also are taken into account, it will be clear that financial assistance on a much larger scale than attempted so far will be provided to the agriculturists. Government are fully conscious that the implementation of these programmes will call for considerable improvement in the procedures and practices obtaining in the land mortgage banks and have initiated action for ushering in such improvements. The Central Land Mortgage Bank will also be assisted with administrative and technical staff on an adequate scale to enable them to shoulder the new responsibilities. The implementation of the programmes will be watched closely at district and state levels to ensure that the switchover to institutional finance on the scale now contemplated is achieved smoothly and effectively.

**Medium Irrigation Projects.**

19. We are also executing with utmost expedition the few medium irrigation projects for which there is still scope in our State. A provision of Rs 358 lakhs has been made for these schemes in the Budget Estimates for 1968–69. As in earlier years, Parambikulam-Aliyar Project with a provision of Rs 206 lakhs absorbs the bulk of the outlay under Irrigation Schemes. The present tempo in respect of Chittar-pattanamkal will be maintained with the provision of Rs 95 lakhs now being made. It should be possible to take the Manimukthanadhi scheme very nearly to the stage of completion with the allocation of Rs 34 lakhs in next year's Budget. It will be possible also to make an

earnest beginning with Ramanadhi and Ghatana reservoir schemes in Tirunelveli district as a provision of Rs 20 lakhs has now been made for the two schemes together. Preliminary work will also be undertaken in regard to modernisation of channels of the Vaigai system, which will eventually entail a capital outlay of the order of Rs 4 crores.

Ground Water Survey.

20. The Hon'ble Members are aware that the scope for new major irrigation projects in this State is limited and even the few projects found feasible depend on the concurrence of neighbouring States, which, understandably, takes a long time to secure. Government have therefore recognised for some time now that their efforts should be directed towards investigating and exploiting fully the ground water potentialities in select areas such as the Palar river basin, Neyveli region, Cauvery delta and the environs of Madras City. A project in this regard was drawn up on the basis of a report of Special Study Team sent by United Nations Organisation and is under implementation since 1966. As the present project does not provide adequate coverage for the Cauvery delta, this Government have recently made a request to the United Nations through the Government of India for additional assistance for extension of investigation for ground water in the Cauvery delta. The second phase of the project, which will take about eighteen months to complete, will entail an expenditure of about Rs 45 lakhs for the United Nations and about Rs 48 lakhs for the State Government. A mission from the United Nations recently visited the Cauvery delta and made an on the spot evaluation of the project proposed by us. They have considered the scheme as proposed by us feasible and desirable and have recommended it for acceptance. The Government have also recently sanctioned an expenditure of Rs 4·5 lakhs for an aerial survey of the project areas by a foreign team and United Nations Development Programme is arranging this survey.

21. While our experience on the food front in the Third Plan period has naturally led us to focus our attention on augmentation of production of cereals, we should not altogether overlook the importance of subsidiary crops such as potato. The House is aware that an intensive agricultural development programme was launched in Nilgiris district early in 1967 with the help of the Federal Republic of Germany. Under this project, special emphasis will be laid on protecting the potato crop in Nilgiris district against the incidence of "late blight". Likewise, steps will be taken to arrest the spread of golden nematode which is found in the cultivation of potato. Attention will also be concentrated on development of animal husbandry, poultry-keeping and dairy farming. West Germany is expected to make available 23 agricultural experts and technicians to work in collaboration with our own staff on this project, for which a provision of Rs 22·2 lakhs has been made in the Budget Estimates of 1968–69. Government have also drawn up a scheme for financing tea plantations in Nilgiris district through co-operative land mortgage banks. An extent of 2,000 acres in a compact area comprising Kundah, Kothagiri, Coonoor, Kil-Kothagiri firkas in Ootacamund and Coonoor taluks will be taken up for intensive cultivation. Loan assistance up to Rs 2,500 per acre will be made available by the land mortgage banks and the loan will be repayable in 15 years, after a pause of 6 years. The total cost of the scheme estimated at Rs 50 lakhs will be financed through special development debentures to which the Agricultural Refinance Corporation and the State Government will contribute in the ratio of 3 : 1. Indo-German Project.

22. In framing next year's Plan we have kept in view also possibilities of supplementing our food resources through more intensive development of fisheries. The outlay on development schemes in respect of fisheries has Fisheries.

been raised in the current year from Rs 84·5 lakhs in the Budget Estimates to Rs 156·7 lakhs in the Revised Estimates. The increase is mostly on account of the large number of engines received in the current year. Taking advantage of the easier availability of engines now, provision has been made in next year's Budget for construction of 200 mechanised boats. Though in the last few years we have made some appreciable progress with mechanisation of our fishing craft, it is a matter for regret that no serious attempt has so far been made to exploit possibilities of deep-sea fishing. The House should be glad to know that we have now placed orders for procurement of 4 trawlers at a total cost of Rs 36 lakhs. Having regard to the long period of delivery of the trawlers, a sum of Rs 10·35 lakhs has been included in the Budget Estimates of 1968–69 towards expenditure on one trawler expected to be delivered in 1968–69 and for advance payments on the remaining trawlers to be made available in subsequent years. Madras with its long coastline should have ventured into deep-sea fishing long ago.

Animal Husbandry.

23. Likewise, under animal husbandry too, the present scale of activities will be maintained. Government attach great importance to the wide dispersal of facilities for treatment of animals and have accordingly provided for the establishment of 50 veterinary dispensaries in different rural centres in the coming year. Besides, a sum of Rs 5 lakhs has been allotted for new programmes connected with eradication of rinderpest in an attempt to conserve our cattle wealth.

Industrial Development: Private Sector.

24. While in the present state of our economy accent has rightly been laid in our annual Plan on development of agricultural and allied sectors, Government recognise that in a State such as ours with its high density of population, the importance of developing both large-scale and small-scale

industries cannot be overlooked. The general recession facing our national economy has all over the country led to a temporary slackening of the pace in establishment of new industries and expansion of existing ones. In the circumstances, the immediate attention of the present Government had naturally to be concentrated on tackling the problems caused by recession. The House is aware of the prompt and energetic steps taken by Government to prevent closure of textile mills so that a large number of workers may not be thrown out of employment. With improvement in agricultural production and stabilisation of prices of foodgrains at more reasonable levels, we may expect the purchasing power of people to improve significantly and give a stimulus to industrial production. In this slowly improving context, Government are glad to note that private entrepreneurs are again evincing interest in the establishment of major industrial undertakings in the State. We understand from the Government of India that a Plant for manufacture of polyster fibre in our State involving a capital outlay of about Rs 10 crores will be shortly licensed in the private sector. The Government have also received proposals from private entrepreneurs for setting up of units for manufacture of semi-conductors, earth moving equipment, carbon black and baby food. All these proposals are in various stages of consideration and the House may rest assured that the State Government will do all that lies in their power to bring these projects to fruition. Assistance in the form of term loans and under-writing will continue to be made available through the Madras Industrial Investment Corporation for private entrepreneurs coming forward to set up industries in this State.

**Central Projects.**

25. The State Government also continue to press the Government of India for the establishment of some major industrial projects in the State so as to ensure that we get our due share of the massive investments of the Central

Government in promotion of major industries. An important scheme on which I have made personal representations to the Government of India relates to the setting up of a factory for the manufacture of electronic equipment, involving a capital outlay of Rs 10 crores. This project, when completed, will provide employment for 3,500 skilled workers. I hope that the personal representations which I have made to the Union Defence Minister will evoke favourable response. We have also moved the Government of India for the location of a heavy plates and vessels project in the State with Rumanian collaboration. This factory is intended for manufacture of pressure vessels and equipment required for chemical industries, fertiliser projects and petroleum refineries and will entail a capital outlay eventually of about Rs 10 crores and provide employment for 2,000 workers. The Government also hope that the second unit of the Indian Telephone Industries, Bangalore, will be located in this State. If the concept of balanced regional development to which Government of India and Planning Commission have attached importance is to be translated into reality, our request for the location of these major projects has to be complied with. Government of India may rest assured that the State Government will, on their part, take all steps to provide the infrastructural facilities required for the development of major industries. It is with a view to assure such facilities that the Government have sanctioned in the current year a scheme for supply of water at a cost of nearly Rs 88 lakhs for the Madras Refineries now under erection at Manali. A provision of Rs 36 lakhs has been made for this scheme in 1968–69. Government will also take on hand shortly the execution of a scheme at a cost of nearly Rs 188 lakhs for supply of water to the Madras Fertilisers, which is expected to go into production in 1969–70. The establishment of a Refinery in the vicinity of Madras will open out vistas for development of a petro-chemical complex in the

region. Government are therefore enlisting the services of Engineers (India) Limited, a Government of India undertaking, to conduct a survey for development of petrochemical industries in this area. They will also be requested to survey and report on possibilities of utilising the by-products of Neyveli Lignite Corporation.

**Tuticorin Harbour Project.**

26. The House is already aware that in response to strong representations made by this Government and public agitation in this regard last year, Government of India have at long last sanctioned the development of a deep-sea harbour at Tuticorin at a cost of Rs 24·40 crores. We hope that the Government of India will allocate funds on an adequate scale so as to enable completion of the work by 1970. The commissioning of the harbour will create opportunities for establishment of a number of industrial projects in the area. Government have already taken steps to acquire large blocks of lands so that, after provision of necessary basic amenities like water-supply, power and roads, these lands could be allotted for entrepreneurs coming forward to establish new industrial units. Among the various concrete proposals now under consideration is the setting up of a plant in this area for production of 6·4 lakh tonnes of concentrated granular fertilisers with Italian collaboration.

**Industries in State Sector.**

27. The work in regard to establishment of a continuous steel casting plant at Arkonam and a cement plant at Alangulam, the two major projects entrusted to the Madras State Industrial Development Corporation, is progressing satisfactorily. Outlay on these two schemes in the current year will be of the order of Rs 250 lakhs and for next year, an identical provision has been initially made, which may well have to be increased with reference to the actual progress of the work. Technical personnel required for the projects have been recruited and the work, particularly in respect of cement plant, is in an advanced stage

of execution. The cement plant will go into production towards the end of 1968–69 or early in 1969–70. The Corporation is also investigating possibilities of establishing a machine tool plant, a sponge iron plant and a machine tools accessories plant. In regard to the machine tools project, an application has already been made to the Government of India for an industrial licence and their sanction is awaited. In respect of the Sponge Iron project, negotiations are being held with Messrs. Lurgi of West Germany for supply of plant and equipment. Hindustan Machine Tools, Bangalore, has offered to be consultant for the Corporation in establishing a machine tools accessories plant and possibilities of securing their financial collaboration are now being explored. Preliminary work on these projects will be completed in the coming year, so that they may find a place in the new Fourth Plan which will become effective from 1969–70. Another project in the public sector which is worthy of special mention is the mechanised brick plant at Thirumazhisai, which has been commissioned in January 1968 at a cost of about Rs 70 lakhs. The establishment of sugar factories in the co-operative sector will also be pursued actively. A provision of Rs 35 lakhs has been made in the Budget Estimates for 1968–69 for contributing to the share capital of co-operative sugar factories. Apart from the factory at Dharmapuri for which Government have already contributed Rs 15 lakhs, Government are envisaging three more sugar factories—two in North Arcot and one in Coimbatore district. The Government of India have been approached for licences for these three factories.

28. The programme for establishment of industrial estates is being implemented with unabated vigour. Work has been started in the current year on functional industrial estates for instrument industries, electronic industries and for pharmaceuticals. In the Budget Estimates for 1968–69,

provision has been made for the establishment of an ancillary industrial estate near Hindustan Photo Films Factory at Ootacamund and for a conventional industrial estate at Cuddalore.

Mineral Development.

29. Government have recognised that industrial development calls for an intensive survey of the mineral wealth of the State. The House should therefore be glad to know that the Government have availed themselves of assistance from Special Fund of the United Nations Development Programme and sanctioned a project for mineral development. The project envisages extensive and intensive geological survey on modern lines over an area of approximately 14,000 square kilometres forming part of Salem, North Arcot and South Arcot districts lying in the belt between Vellore, Salem and Vridhachalam. It is proposed to carry out photo-geological mapping and air-borne geophysical surveys of the entire area using air-borne magnetometer and gamma ray spectrometer. The United Nations have agreed to contribute towards this programme about $ 1 million (Rs 75 lakhs), the State Government's own counterpart contribution being about Rs 35 lakhs. A number of foreign experts and consultants in different fields of geological studies will be made available for this work and for imparting training to our personnel. Sophisticated equipment for diamond drilling, chemical and ore dressing laboratories and for ground geophysical and main development work, will be supplied under this scheme. The air-borne survey has already commenced.

Salem Steel Plant.

30. While it is necessary to continue these efforts at investigation of the mineral wealth of the State, it is a matter for regret that we are unable to exploit even the known sources of mineral wealth. The technical and economic feasibility of establishment of a steel plant in Salem based on Kanjamalai iron ores and Neyveli lignite has been firmly established through surveys and studies

extending well over a decade. But the House is aware how the unhelpful attitude of the Government of India at every stage has held up the consummation of this project. The argument that it is lack of resources which is holding up this project is hollow and will not stand close scrutiny. It is the firm view of this Government that if only the Government of India had some genuine regard for balanced regional development in a country of continental dimensions, the massive allocation made for the gigantic Bokaro project could well have been utilised for the establishment of a medium-sized plant at Bokaro and three steel plants in the South. The serious problems of management which have been encountered in large steel plants could also have been obviated with such medium sized plants distributed in different parts of the country. The Salem steel plant would also have met the country's requirements of special alloy steel.

**Power Programmes.**

31. The Government are aware that the energetic implementation of Power programmes is indispensable both for agricultural and industrial progress. The allocation for Power programmes which was originally fixed at Rs 30·6 crores has been stepped up to Rs 33·66 crores in the Revised Estimates. The present tempo will be maintained with the allocation of Rs 32·17 crores in the Annual Plan for 1968–69 and this outlay may well have to be increased with reference to the progress of works and our resources in the course of the year. The work in respect of erection of Thermal Station at Ennore will gather considerable momentum in the next year and keeping this in view, a provision of Rs 15 crores has been made for this Project. Funds on an adequate scale have been earmarked also for Kodayar and Parambikulam Hydro-Electric Schemes. On the whole, there will be an addition of 235 MW. of installed capacity in the next year. Besides, it is expected that another 100 MW. generating set will also be commissioned at Neyveli

Thermal station raising its capacity to 500 MW. We have also entered into an agreement with Mysore for purchase of power from Sharavathy to the extent of 300 million units during 1968. The Madras State Electricity Board will thus be in a position to meet any additional demand for power anywhere in the State in the coming year. Within the resources available, we have been able to provide only Rs 6 crores at this stage for rural electrification. In 1965–66 and 1966–67, Government of India, recognizing the importance of rural electrification programmes, had extended special assistance outside the Plan. Lift Irrigation Schemes produce immediate results in terms of increased production. Government of India should therefore recognise this and allocate additional funds.

32. With the provision of Rs 160 lakhs for various programmes relating to roads in the Plan, we will be able to maintain the present pace of progress. Three hundred miles of bus route roads now under the control of the Panchayat Unions are proposed to be taken over by Government for maintenance thus providing relief to them and enabling them to concentrate on the maintenance of other less important roads. The Government's programme of nationalisation of bus routes, in terms of the policy announced in June last year, is also calculated to provide better facilities for transport. A provision of Rs 230 lakhs has been made for capital outlay on programmes relating to State Transport Service and this will, among other things, enable 106 routes to be nationalised according to schedule. In response to the longstanding demand from Municipal Councils, Government have also decided for the first time to give a special grant of Rs 7·5 lakhs for maintenance of roads in municipalities, other than the Corporation. Special assistance to the extent of Rs 47 lakhs in the form of loans and grants will also be extended to the Corporation in the coming year for the improvement of roads and construction of over-bridges in the City.

**Road and Road Transport.**

Education.

33. Though in view of the difficult resources position of the Central and State Governments, the Planning Commission had recommended only considerably lower allocation for social services, we have endeavoured to take a realistic view of the minimum requirements for the programmes in this sector. Inclusive of committed expenditure, the provision for Education in the Budget Estimates for 1968–69 is about Rs 56·28 crores representing 23 per cent of State's revenues. If allowance is made for certain factors such as advance payments of grants towards dearness allowance in the current year, the effective increase in expenditure on education in the next year over current year's level will be seen to be nearly Rs 6 crores. The Annual Plan for this sector provides on the whole for 7,200 additional teachers to cope with the enrolment envisaged in the age groups 6—11, 11—14 and 14—17. Keeping in view the need to make a reasonable provision for improvement of facilities in schools, Government have allocated Rs 32 lakhs for construction of school buildings and Rs 44 lakhs for provision of scientific equipment. Elementary Education having become free and compulsory throughout the State, the main efforts of the Government in this sphere will now be directed to qualitative improvement. Three thousand posts of higher grade teachers will be converted into secondary grade posts during 1968–69. The House should be glad to know that with a view to provide some incentive to teachers to acquire higher qualifications and thus serve pupils more efficiently, the Government have approved of a scheme for grant of two advance increments to teachers who acquire higher educational qualifications. The large expansion in the field of secondary education has in its wake generated great demand for admission to colleges and Government have endeavoured to meet this demand through the opening of new colleges and expansion of the capacity for admission in the existing colleges. The Budget Estimates for 1968–69 provide for the opening of

six new Government Arts Colleges in centres where the conditions laid down by the Government in respect of public contribution are fulfilled. Provision has also been made for opening degree courses in the colleges at Tiruvannamalai, Dindigul and Cheyyar. Experience has shown that the number of students seeking to join Pre-university courses in urban centres far exceeds the number of seats available and that the introduction of shift system would facilitate the admission of larger number of students. A more intensive utilisation of the laboratory and other facilities available in the exisiting colleges will also be promoted. Government therefore propose to consider the question of introducing shift system in these colleges in consultation with the Universities. It is also proposed to make a start on construction of buildings for Madurai University and for this purpose, a provision of Rs 10 lakhs has been made in the Budget Estimates. While thus providing funds on an adequate scale for the expansion of Arts Colleges, we have also borne in mind the need to encourage diversion of pupils to technical courses of study. In the wake of our decision last year to grant exemption from tuition fees for students in Pre-University classes, subject to certain income limits, the need has been felt for extending the concession to the Pre-technical course in polytechnics which has been recognised by the University as equivalent to Pre-University Course. The House should be glad to know that Government have now decided to grant exemption from payment of tuition fees in "Pre-technical" classes in Polytechnics, subject to the same income limits as in the case of the Pre-University Course.

**Welfare of Backward Classes.**

34. The welfare of Backward Classes continues to engage special attention of the State Government. Though the Planning Commission had recommended an allocation of only Rs 89 lakhs under this head in the Annual Plan

for 1968–69, Government have drawn up a Plan entailing an outlay of Rs 173 lakhs so as to meet the minimum needs of programmes under this head. Together with committed expenditure, the total provision for Welfare of Scheduled Castes and Backward Classes will be of the order of Rs 651 lakhs in the Budget Estimates for 1968–69. Apart from continuing the existing schemes such as grant of scholarships and acquisition of house sites, Government propose to make a start in the coming year with a scheme for grant of loans to persons belonging to Scheduled Castes to enable them to set up in new trades and professions. A provision of Rs 1 lakh has been made for this purpose, and the scheme will be further enlarged in the years to come with reference to the results achieved. The House should also be glad to know that the Government have now decided to supply one set of clothes to all children studying in elementary schools run by the Harijan Welfare Department at a cost of Rs 3·8 lakhs and to enhance the boarding grants to Harijan hostels at an additional cost of Rs 4·3 lakhs.

**Repatriates from Ceylon.**

35. The repatriates from Ceylon who will soon be here in large numbers are another class of people whose welfare will be the special concern of Government. Under the agreement entered into by the Government of India with the Government of Ceylon, 5·25 lakhs of persons of Indian origin are expected to be repatriated to India in the course of the next fifteen years. Of this, about 10,000 families are expected to reach here in 1968–69 and we have to initiate special programmes for the welfare and rehabilitation of these people without loss of time, as the bulk of the repatriates will be workers from plantations. Government have considered that their resettlement should be mainly in Tea, Coffee and Rubber plantations and in land colonisation schemes. The rehabilitation of the repatriates is in pursuance of an

agreement between two countries and should therefore be looked upon as a national problem. It is in this view that we have taken the position that the funds required for the rehabilitation and welfare of the repatriates should be provided in full by the Government of India over and above the normal assistance available to us for the Plan, and I am glad to state that this position has also been accepted by the Government of India during the discussions which were held at Madras some months ago with representatives of the four States in the Southern region. We have already forwarded to the Government of India for approval a scheme for raising tea plantations over an extent of 3,750 acres in the Nilgiris district at a total cost of Rs 3·75 crores. We have also formulated a scheme for settlement of repatriates on an area of 330 acres of land in Poosimalaikuppam in North Arcot district at a cost of about Rs 10 lakhs. Schemes have also been drawn up for grant of loans to the repatriates for enabling them to settle down in trades suited to their capacity. Many other schemes are also in different stages of formulation and the House will agree with me that unless these schemes are implemented vigorously with special assistance from the Government of India, the influx of repatriates will aggravate the problem of unemployment in our State.

36. Under programmes relating to Medical, Health and Family Planning, though the Planning Commission had recommended a provision of only Rs 220 lakhs, we have sought to keep the level of expenditure at Rs 369 lakhs. When it is remembered that the outlay on Plan schemes under this sector in the current year will be only Rs 338 lakhs, Hon'ble Members will realise that a reasonable measure of growth has been assured. The construction of additional buildings and provision of equipment for the three new Medical Colleges at

Public Health.

Chingleput, Palayamkottai and Coimbatore which are still in the initial stages of development, constitute obviously the first charge on our resources. For it is only to the extent that we augment facilities for training of medical personnel, it will become possible for us to sustain a programme for wide dispersal of medical facilities in rural areas in the coming years. A provision of Rs 77 lakhs has been made for these three Medical Colleges. From the long list of Part II Schemes relating to this sector, details of which have been furnished in the Budget Memorandum, Hon'ble Members will note that we have endeavoured to meet to the extent possible the needs of additional staff and equipment in the various teaching and non-teaching hospitals in the State. With a provision of about Rs 180 lakhs, of which Rs 137 lakhs will be met by Central assistance over and above the normal assistance for our Plan, we have tried to ensure that there is no slackening in the pace of implementation of Family Planning programmes. The Government also attach importance to the development of Siddha system of medicine. Sanction has recently been accorded to the construction of a 100 bedded hospital for Indian System of Medicine at Arumbakkam and the construction of buildings will be taken on hand soon. Government have also proposals under consideration for the opening of Siddha wings in all District headquarters hospitals. With the continuation of schemes for eradication of small-pox, malaria and filariasis, preventive aspects will be taken adequate care of. Government also propose to start soon a Cancer Control Pilot Project in collaboration with the World Health Organisation at Kancheepuram. Norwegian Government have also come forward to give assistance to meet the cost of buildings and equipment required for this programme. The details of the scheme will be finalised soon and implementation taken up shortly.

37. The pace of execution of Water-supply and Drainage Schemes relating to the Madras Corporation will be maintained at the same level as in the current year. But Government consider that it should be possible for the Corporation to meet a significant portion of the cost of these schemes by raising an open market loan as other major Corporations are doing. On the assumption that the Corporation itself will be able to meet the cost of Water-supply and Drainage Schemes next year to the extent of atleast Rs 75 lakhs, provision has been made in the Budget Estimates for 1968–69 for loan and grant assistance of Rs 60 lakhs only to the Corporation for its normal Water-supply and Drainage Schemes. The House is aware of the proposal of the Government for finding permanent solution for the water-supply problem in the city by drawing water from the cauvery system at Veeranam. Detailed estimates for this scheme have now been prepared and in accordance with the instructions of Government of India that schemes costing over Rs 5 crores should be sent to them for prior technical and financial clearance, estimates have been forwarded to the Government of India for their formal concurrence. We hope that the Government of India would accord approval for the scheme at an early date, enabling us to make an earnest start on this scheme in the coming year. A provision of Rs 25 lakhs at this stage has been made for this programme and the completion of the scheme will be accorded high priority in the new Fourth Plan which is to be drawn up so as to take effect from 1969–70. Though the allocation for Water-supply and Drainage Schemes relating to other urban centres at Rs 125 lakhs in the Annual Plan for 1968–69 may look small, in relation to current year's anticipated outlay of Rs 155 lakhs, it should be remembered that the Planning Commission had proposed an outlay of only Rs 120 lakhs for water-supply schemes inclusive

Water-supply and Drainage Schemes.

of those of the Corporation. It should be stressed that attention will be concentrated on completion of schemes in advanced stage of execution so as to enable the people to reap the benefits of the schemes which have been dragging on for a long time at an early date. The schemes for supply of water at Avadi, Wandiwash, Dindigul, Yercaud, Namakkal and Villivakkam and as also drainage schemes relating to Mannargudi and Tuticorin will be completed in the coming financial year.

**Annual Plan, 1968-69.**

38. Next year's Plan as emerging from the Budget Estimates will be of the order of Rs 79·68 crores. Though this may look small in relation to what we expect to achieve in the current year, for a comparative assessment of the dimensions of the developmental programmes in the current year and next we should also take into account the agricultural developmental programmes which we propose to finance outside the Plan through funds obtained from institutional agencies, to which I have made fuller reference earlier. When these outlays are also included, as they should be, the House will realise that by and large, we would have maintained the pace of execution of developmental programmes at about the same level as in the current year. The House is aware that Central assistance has always been of crucial significance in determining the size of the Plan. As I had occasion to refer earlier in my speech, we have reason to feel aggrieved that we have not been given our due share of assistance and that even assistance in the agreed proportion had not been released in 1966–67 and 1967–68. The least that the Planning Commission should do is to make good in full the shortfall which has occurred in these two years and if possible, provide a measure of accelerated assistance having regard to the fact that many of our irrigation and power programmes are now in an advanced stage of execution. We have taken credit in our Budget Estimates for Central

assistance of Rs 47·9 crores for the Plan, as we are clearly entitled to the same though at this stage the Government of India have firmly committed themselves to a figure of only Rs 42·9 crores.

39. I now turn to an analysis of the basic figures which are of relevance in considering the present Budget proposals. The House will recall that the Budget Estimates for 1967–68 which I presented to this House in June last had envisaged a deficit on revenue account of Rs 112 lakhs. The provision for subsidy on sale of foodgrains which was then provided for under the capital head " 124. Capital Outlay on Schemes of Government Trading " has now been written back to revenue and this has increased the revenue expenditure by Rs 5·10 crores. Notwithstanding this, the House should be glad to know that we now place the revenue receipts in the current year at Rs 227·95 crores and expenditure at Rs 228·40 crores, revealing a revenue deficit of only Rs 45 lakhs. The lumpsum of Rs 5·25 crores which we had taken credit for the additional taxation proposals placed before the House in June last has now been distributed under relevant heads such as Taxes on vehicles, Sales Tax and Excise Duties and it will be seen that by and large, our estimates of receipts of additional taxation have been realised. There has been an improvement of Rs 2·63 crores under our share of Income Tax and Rs 44 lakhs under Estate Duty, representing largely the payment of arrears relating to previous years. This has been however offset by a shortfall of Rs 1·39 crores under Union Excise Duties. Taking all the three items together, there has, on the whole, been an improvement of Rs 1·68 crores under our share of Central taxes in the Revised Estimates as compared with Budget Estimates. Though the Centre has not agreed to any increase in its assistance, of Rs 38 crores for the current year's Plan, the grant element in the assistance

**Revised Estimates, 1967–68.**

has been a little higher than estimated and the improvement on this account is of the order of Rs 1·45 crores. There has also been a significant improvement in non-tax revenues, particularly under interest due on Government loans.

40. As in previous years, our expenditure at the stage of Revised Estimates has also been higher than the original Budget Estimates and this increase in Revised Estimates has already been taken into account in the First Supplementary Estimates presented to this House a few days ago. The principal increases are under Extraordinary charges (Rs 546 lakhs) due mostly to the transfer of food subsidy of Rs 510 lakhs to revenue account. Police (Rs 149 lakhs), General Administration (Rs 46 lakhs) due in part to increase of Rs 23 lakhs for acquisition of lands for the Nuclear Plant at Kalpakkam and Medical (Rs 62 lakhs). Under certain heads such as "Education" and "Community Development" we had to keep the expenditure somewhat at lower levels than budgeted for with reference to the considerably lower allocations indicated for these programmes by the Planning Commission. The other significant increases in expenditure on revenue account are mostly under developmental heads.

41. Turning to expenditure on capital account, we have provided now for an investment of Rs 134 lakhs in Central Land Mortgage Bank debentures, Rs 40 lakhs for a scheme for supply of water to the petroleum refinery at Manali and Rs 19 lakhs for the purchase of buildings belonging to the Government of Ceylon at Mandapam. The outlay on minor irrigation works has also been stepped up by Rs 21 lakhs. Under Loans

and Advances, significant increases are under loans to cultivators (Rs 19 lakhs), loans for intensive manuring schemes (Rs 50 lakhs) and loans to the Madras State Electricity Board (Rs 377 lakhs). These increases in expenditure on capital and loan accounts have been more than offset by improvement under Unfunded Debt and Deposit heads. There has also been some improvement of a transient character in respect of loans from the Government of India for financing transactions in fertilisers. Thanks to these improvements under deposit and loan heads, it is seen that even though our original expectations of additional assistance from the Centre for the Plan have not materialised, it will be possible for us now to finance a bigger Plan of Rs 88·10 crores as against Rs 85·28 crores originally budgeted and at the same time close the year with an authorised ways and means advance of only Rs 295 lakhs outstanding with the Reserve Bank as against Rs 495 lakhs originally anticipated. The House should be glad to know that on our present estimates, this State will not be in overdraft at the close of the financial year with the Reserve Bank of India.

42. The Budget for 1968–69 after providing for a reasonable element of growth under all elastic sources of revenue such as Motor Vehicles Tax, Sales Tax and Electricity Duties, estimates the receipts on Revenue Account at Rs 248·28 crores and expenditure at Rs 247·54 crores, resulting in a small surplus of Rs 74 lakhs. This surplus has been arrived at after providing for a sum of Rs 7·24 crores to meet the element of subsidy on sale of foodgrains in areas in which the scheme is now in force. The budget estimates also fully reflect the incidence of city compensatory allowance (Rs 75 lakhs), additional expenditure now involved in the extension of the scheme of city compensatory allowance to suburban areas, Budget Estimates, 1968-69.

teachers in aided institutions and Madurai City (Rs 40 lakhs) and increase in rates of dearness allowance sanctioned in November last. Expenditure on the last item will be of the order of Rs 9·2 crores, of which Rs 2·3 crores is however to be credited to the Provident Fund accounts of the employees.

State Raffles.

43. While our position on revenue account does not cause concern, it will be only prudent to bear in mind that our ways and means position will be extremely difficult in the year to come on account of the large increase in repayments of loans to the Government of India and open market loan. It is therefore necessary to take some steps to harness the savings of our people for the purpose of economic development on new lines. While the existing schemes for mobilisation of small savings will be pursued with vigour, Government have felt it necessary also to draw up a scheme for State Raffles so as to enable even poor people to contribute to the development of the State. Details of the scheme will be finalised shortly and will be implemented early in the next financial year. We have taken credit under Unfunded Debt for a sum of Rs 1 crore towards the anticipated net receipts (i.e.), receipts after payments of prizes and commission for authorised agents under the Raffle Scheme. I have no doubt that almost every family in our State will participate in the scheme and thus assist in the development of our State's economy.

New Finance Commission —its tasks.

44. The policies underlying the Budget, which are outlined above should give the House the assurance that we seek progress without endangering financial stability. While we accept the need for utmost economy and fiscal discipline, we are bound to point out that there is a fundamental disequilibrium between the responsibilities of the State and the resources available to it, and this has to be redressed without further delay if the States are to meet effectively the minimum needs of the people for a good life

as envisioned in our Plans. We have had four Finance Commissions ; but their recommendations have not made any significant contribution to the rectification of this state of disequilibrium. Their efforts have been mainly directed towards assessing the needs of the States for maintenance of existing institutions and services and providing resources just adequate for their maintenance. The needs of development have been left to be taken care of entirely by discretionary assistance from the Centre, thus reducing the States to a position of absolute dependence on the Centre. With the decision to have a new Fourth Plan from 1969–70 the need for appointing a new Finance Commission has been widely recognised.

45. May I take this opportunity therefore to suggest that the terms of reference of the new Finance Commission should be widened to cover, among other things, a searching review of the constitutional provisions relating to distribution of resources ? This review could be undertaken by the Finance Commission without prejudice to any interim report which may become necessary for them to make, well in advance of the commencement of the new Fourth Plan, on the limited question of providing resources by devolution for the maintenance expenditure of the three annual Plans covering the interregnum between the Third Plan and the Fourth. There is no reason to apprehend that the review which I have proposed is in any way calculated to weaken the Centre or impair the unity of the country. On the contrary, with provision of larger resources to the States on a statutory basis so as to equip them better to discharge their responsibilities, there will be less opportunities for friction and mutual recrimination between the State and Centre in day-to-day financial relations and it will become possible to evolve a fraternal and fruitful partnership between them in all matters of common concern to the nation.

46. Before I conclude, I would like to express my thanks for the able assistance rendered to me by the Finance Secretary, Thiru G. Ramachandran and those working with him in preparing this Budget. By their enthusiastic co-operation, they have lightened my burden to a considerable extent.

47. With these words, Sir, I commend the Budget Estimates for 1968–69 for the acceptance of this House.

MADRAS,
28*th* *February* 1968.

C. N. ANNADURAI,
*Chief Minister.*